

**MINUTES OF THE
INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS
SUBCOMMITTEE**

Room 445 State Capitol Building
January 30, 2015

Members Present: Sen. Wayne A. Harper, Co-Chair
Rep. Gage Froerer, Co-Chair
Rep. Craig Hall, House Vice Chair
Sen. Lyle W. Hillyard
Sen. David P. Hinkins
Rep. John Knotwell
Sen. Peter C. Knudson
Sen. Karen Mayne
Sen. Kevin T. Van Tassell
Rep. Jacob L. Anderegg
Rep. Brad King
Rep. Justin J. Miller
Rep. Douglas V. Sagers
Rep. Scott D. Sandall
Rep. R. Curt Webb

Members Absent: Sen. J. Stuart Adams

Staff Present: Mr. Steven Allred, Deputy Director
Mr. Brian Wikle, Fiscal Analyst
Dr. Thomas Young, Senior Economist
Ms. Cami Deavila, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order

Co-Chair Froerer called the meeting to order at 8:14 a.m.

2. Department of Administrative Services – Finance Mandated

Brian Wikle, Fiscal Analyst, Office of the Legislative Fiscal Analyst, reviewed the Finance Mandated line items with \$20.7 million appropriated from the General Fund and \$17.3 million in Restricted Funds. The bulk going to the Jail Reimbursement program. Last year's appropriation of \$1.1 million for stream lining local government forms needed to be reallocated. There was a request to increase the Post-Conviction Indigent Defense Fund appropriation of \$34,000 with funds from Finance. In FY 2014, the Office of Inspector General for Medicaid recovered \$11.6 million and had expenditures of \$2.2 million. The FY 2016 base budget is \$3.8 million. It was recommended the Executive Ethics Commission become its own line item under Finance Mandated with a \$6,000 ongoing appropriation.

Rep. Miller asked if counties had an obligation to provide funds to the Post-Conviction Indigent Defense Fund. Mr. Wikle stated the State had legal obligation to provide the service. John Reidhead, Director, Department of Administrative Services - Finance clarified that the Post-Conviction Fund was for death row inmates and funded through a General Fund line item. Indigent Defense was a trust fund that counties pay into.

3. Utah State Fair Park

Michael Steele, Executive Director, Utah State Fair Park, reviewed the current lease which expires in 2017, the expired lease, the White Ball Park lease, and legislation giving authority to sign a lease with the Department of Facilities and Construction Management (DFCM).

Ted Lewis, Board Member, Utah State Fair Park, added they would need Legislative help with the newly negotiated lease.

Rep. Sagers asked about the completed studies on the viability of the State Fair Park and if the parking shortage had been addressed. Mr. Steele stated the final report could be seen on the DFCM website. Key findings showed Capital Improvements of \$33 million over 20 years would be needed to upgrade and maintain the State Fair Park. Adding a multi-sport complex, rodeo grounds, and exposition facility would cost \$47 million. Relocating the State Fair Park would cost \$160 million. The State Fair Park had a private partner for the multi-sport complex generating guaranteed revenue over the next 20 years. This partnership would help, but not save the State Fair Park, additional investment would be needed. Mr. Steele stated the new UTA Trax line helped ease parking issues and use has continued to grow. A parking structure may eventually be needed.

Rep. Anderegg expressed concern over the Real Salt Lake (RSL) lease and the dire need for additional parking. Mr. Lewis stated the negotiation involved a 40 year lease and if the Legislature was not on board the deal would not go through.

Sen. Mayne added support for fixing the parking shortage and asked if the new lease would bring additional business to the area. Mr. Steele stated the local community was excited about the RSL investment and potential business growth. Mr. Lewis added there had been input from all potential stake holders giving positive feedback for the arena.

Rep. Schultz stated support for leaving the State Fair Park where it was and asked what the guaranteed revenue would be. Mr. Steele stated the revenue would include a \$10,000 place holder lease annual payment, a 50 percent parking revenue split with \$100,000 a year minimum guarantee for RSL events, and a five percent escalator over the next 20 years adding up to about \$3.3 million. Concerts during the State Fair would bring additional revenue. Rep. Schultz added concern over transparency in the negotiation with RSL and asked for 30 days to complete a Request for Proposal (RFP). Mr. Steele stated the DFCM study showed the possibilities if the State Fair Park went away completely, or was replaced with a business development, housing development, soccer complex, or a Transit Oriented Development.

Co-chair Froerer asked if the RSL proposal had been submitted to the Building Board. Mr. Steele stated the proposal couldn't be submitted until after the lease was signed.

Alan Bachman, Assistant Utah Attorney General, said in order to deal directly with RSL, DFCM statutes needed to be amended. Or, there could be intent language stating the Legislature believed the lease agreement with RSL was a good idea. The terms of the lease could then be worked out by the Attorney General's Office between DFCM, the State Fair Park, the State, and RSL.

Co-chair Harper asked if issuing an RFP instead of approving intent language would be more consistent with State policy and procurement code. Mr. Bachman stated intent language would be sufficient.

Rep. Sandall stated support for leaving the State Fair Park where it was and asked if a revenue stream could be quantified for the three weeks of the State Fair and the other 11 months of use. Mr. Steele stated the current condition of the State Fair Park did not return revenue. The studies recommended that investing in the rodeo ground and exposition center would have a return on investment, allowing the State Fair Park to be self-sustaining. Mr. Lewis stated the Board of Directors was supportive of using private investment money, benefiting the State Fair and RSL. However, the stadium alone would not solve all ongoing problems.

Sen. Hinkins asked about the 20 years that would not have guaranteed revenue. Mr. Steele stated RSL believed there would be enough events to continue a return on investment. Mr. Lewis stated the first 20 years should exceed the guaranteed revenue of \$3.3 million. The revenue sharing would continue for the remaining 20 years of the lease without the guarantee.

Rep. Miller asked if the lost revenue from neighbors charging to park in private drive ways had been calculated. Mr. Steele stated lost revenue had not been calculated and the State would eventually need to provide a new parking structure.

Rep. Sagers asked if the State would be required to provide the \$33-47 million investment for infrastructure to the State Fair Park if the lease were signed and how that money would be used. Mr. Steele stated there was no State obligation. Mr. Steele stated the money would be used on storm water, electrical upgrades and infrastructure, telecommunications, utilities and water on the property.

Co-chair Froerer asked if there was a plan to fix the deferred maintenance or should the buildings be replaced with another investment. Mr. Steele stated that was a decision for the Legislature. The small buildings work for the State Fair but did not work well for commercial revenue.

Sen. Mayne added her support for the State wide benefit of the Utah State Fair.

Co-chair Harper asked how much revenue was generated through the State Fair and the additional 180 events and how much revenue was needed to break even. Mr. Steele indicated the State Fair generated about \$2.8 million in gross revenue, including almost \$900,000 outside of the Fair. The State Fair received \$675,000 in subsidized State funds annually. Co-chair Harper asked if the RSL lease included concessions revenue and if the lease was structured with no State

liability. Mr. Steele stated they would be able to sell food and beverage outside the stadium for additional revenue. RSL would fully maintain and insure the venue. Co-chair Harper asked what happened at the end of the 40 year lease and how they ensure the assets were returned in satisfactory condition. Mr. Steele stated assets revert to the State at the end of the lease and the venue would be inspected annually. Co-chair Harper asked how the lease with RSL would affect the White Ball Field. Mr. Steele stated the ball field parking was crucial for RSL events.

Rep. King asked about advertising space within the RSL arena versus outside the arena. Mr. Steele stated the income numbers were conservative and would grow.

Co-chair Froerer stated concern in not working with DFCM and the Building Board in negotiating with RSL. There should be a master plan for the future of the State Fair Park.

4. Department of Transportation

Dr. Thomas Young, Senior Economist, presented the UDOT base budget of \$1.4 billion. He also addressed budget effectiveness options, including a one-time available revenue of \$15 million in a pavement settlement, and \$158,534 in interest transferred to the Transportation Investment Fund (TIF) from Mountain View Corridor Litigation Account. Another option was project cost forecasting. Project forecasting usually comes in under budget. To reach the two percent soft target the sales tax ear marks could be reduced by \$9.4 million and replaced with one-time money. The forecast error of four percent could be reduced to two percent. Mr. Young reviewed upcoming projects that would be delayed if the Governor's proposed \$94 million reductions were followed. There were requested fee changes for \$383,000 in Aeronautics, \$272,000 in Outdoor Advertising, and \$68,400 in Administrative Services. Potential intent language was also considered. Also, adjustments to the ongoing base account for Transportation Fund revenue of \$91,000 was considered. Also, a transfer of FTE between line items was requested. Lastly, the \$94 million reduction would cause UDOT to borrow from the General Fund for six months.

Rep. Anderegg asked if exactly \$94 million would be borrowed from the General Fund. Mr. Braceras stated an explanation would be covered in the UDOT presentation.

Carlos Braceras, Executive Director, Utah Department of Transportation, explained the strategic plan which included the vision, mission statement, strategic goals, and prioritization process.

Shane Marshall, Deputy Director, Utah Department of Transportation presented accomplishments including SUCCESS Framework and the Citizen Reporting App. Completed projects included the I-15 South Davis, I-15 Point, and Red Hills Parkway Interchange.

Mr. Braceras presented UDOT funding sources including TIF, the Transportation Fund, Federal Funds, and the Aeronautics Fund. Expenditures included four years of projects from the TIF, equipment management, employees, region management, engineering services, support services, construction management, safe sidewalk program, operations, the B and C road fund, three percent was transferred to other agencies, and the transfer to TIF. Federal Fund allocations included rehabilitation, preservation, and bridge rehabilitation. The Aeronautics Fund allocations included airport construction, aircraft operations, and local airports.

Co-chair Froerer asked for an update on the future of the Federal Highway Fund. Mr. Braceras stated Congress was spending more than the trust fund could sustain. The current year had the worst deficit and nine months had been covered by pension smoothing. It was anticipated to rebound at 70 percent by FY17.

Co-chair Harper asked for an explanation of how and why money was transferred from the Transportation Fund to the TIF. Mr. Braceras explained the Transportation Fund was created by consolidating the Critical Highway Needs, Centennial Highway Program, and the TIF.

Mr. Braceras explained the request for a transfer from the construction line item to the operations line item and a new equipment purchase. The Governor's budget proposal included \$4.2 million additional revenue if the point of taxation moved to rack and the \$94.2 million reduction from TIF. UDOT could keep every project in the four year plan in the same fiscal year of the reduction. The cut would be 18.3 percent instead of the two percent budget option.

Co-chair Froerer asked how future projects would be impacted by the \$94.2 million cut. Mr. Braceras stated current projects through the first four years would not be impacted, but future projects starting in year five would.

Co-chair Harper asked for clarification that if the money were moved, the \$11 billion shortfall would be accelerated because part of a cash stream would be removed on an annual basis. Mr. Braceras stated the \$11 billion short fall was a combination of State, local, and transit needs.

Co-chair Froerer asked if UDOT would be in favor of directing the \$94.2 million to maintaining existing assets. Mr. Braceras stated support for the Governor's budget. Additional funding would be needed to address the condition of level two roads.

Mr. Braceras presented the movement of funding between line items for one FTE to meet fluctuating program levels.

Mr. Marshall presented a fee increase request for the Express Pass of \$2.85. Mr. Marshall also requested an increase in the Outdoor Advertising fee and others. The aeronautics rate for taking State planes was requested to increase from \$900 to \$1200 an hour.

Co-chair Froerer asked if there had been talk of charging a fee for events. Mr. Braceras stated there had not.

Mr. Braceras asked the committee to reauthorize intent language. A list of about \$2.4 billion in needed projects was provided. Projects would come from the unfunded long range plan if funding authorization were provided. New projects would be prioritized and existing projects would not be delayed. New bonding authorization would be needed for \$515 million. The constitutional debt limit was at 71 percent in FY15 and projected to be at 60 percent in FY16.

Co-chair Harper asked if the balance between the requested \$1.2 billion and \$515 million would be made up with cash. Mr. Braceras stated it would.

MOTION: Sen. Van Tassell moved to adjourn.

Co-chair Froerer adjourned the meeting at 10:22 a.m.

Sen. Wayne A. Harper, Co-Chair

Rep. Gage Froerer, Co-Chair